

### Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	7.50	7.50	7.00	7.00	7.50	7.00	(0.50)	(6.67)%
Personal Services	388,508	491,795	595,860	574,706	880,303	1,170,566	290,263	32.97 %
Operating Expenses	161,843	86,802	179,608	179,186	248,645	358,794	110,149	44.30 %
Local Assistance	6,374	15,764	12,374	12,374	22,138	24,748	2,610	11.79 %
<b>Total Costs</b>	<b>\$556,725</b>	<b>\$594,361</b>	<b>\$787,842</b>	<b>\$766,266</b>	<b>\$1,151,086</b>	<b>\$1,554,108</b>	<b>\$403,022</b>	<b>35.01 %</b>
General Fund	556,725	594,361	787,842	766,266	1,151,086	1,554,108	403,022	35.01 %
<b>Total Funds</b>	<b>\$556,725</b>	<b>\$594,361</b>	<b>\$787,842</b>	<b>\$766,266</b>	<b>\$1,151,086</b>	<b>\$1,554,108</b>	<b>\$403,022</b>	<b>35.01 %</b>

### Program Description

The Montana Tax Appeal Board (board), established by Article VIII, Section 7, of the Montana Constitution and 15-2-101, MCA, provides a tax appeal system for all actions of the Department of Revenue and other taxing agencies. The board consists of three members, appointed by the Governor and approved by the Senate, who hear appeals as full time state employees, with two support staff. The board hears appeals from decisions of the 56 county tax appeal boards, primarily involving residential and commercial property valuation, and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally-assessed property and new industry property, motor fuels taxes, vehicle taxes, and cabin site leases. The Montana Tax Appeal Board directs the county tax appeal board secretaries, and pays their salaries and employee benefits from its personal services appropriation. In addition, the board pays the board member stipends and clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies, but excluding office equipment.

### Program Highlights

Montana Tax Appeal Board Major Budget Highlights
<ul style="list-style-type: none"> <li>Executive proposes 2017 biennium budget that is 35.0% above the 2015 biennium budget</li> <li>The board is entirely supported by general fund</li> </ul>
Major LFD Issues
<ul style="list-style-type: none"> <li>Perpetually high vacancy rate for aggregate positions allows growth in operating expenses</li> <li>Aggregate secretary position provides for sufficient authority for anticipated higher costs associated with reappraisal</li> </ul>

### Program Discussion -

#### Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

The Montana Tax Appeal Board did not change the FY 2015 legislative appropriations. The number shown in the program budget comparison table above reflects the budget approved by the 2013 Legislature.

*Comparison of the FY 2014 Actual Expenditures to FY 2015 Legislative Appropriations*

Actual FY 2014 expenditures are \$37,600 lower than the FY 2015 legislative appropriation. The primary reasons for the difference include:

- A vacancy rate of 40.3% within the division
- Lower spending for equipment than anticipated

*Executive Request*

The program has 7.00 FTE authorized, including:

- 3.00 FTE for administrative law judge positions
- 2.00 FTE for paralegal legal assistants
- 0.25 FTE for short-term worker
- 1.75 FTE for secretary positions

**LFD  
ISSUE**Perpetually High Vacancy Rate for Aggregate Positions Allows Growth in Operating Expenses

The 1.75 FTE for secretary positions exist in this program to fund the personal services costs for the county tax appeals boards. These positions have routinely expended only a small proportion of the funds appropriated. For example, in FY 2010, a reappraisal year, the program used 11.5% of total allocated hours. In FY 2014 the position expended 6.4% of the allocated hours, or \$5,157 out of \$80,181 anticipated. The \$75,000 that was freed up can be used for other purposes not anticipated by the legislature, including additional operating expenses. In FY 2014 the board spent funds on operating expenses above those contemplated in the legislative budget, including:

- \$4,500 in supplies and materials
- \$21,700 in communications
- \$11,900 in travel
- \$20,500 in rents for office space
- \$14,400 in other expenses, including \$9,000 in training costs and \$2,600 in subscriptions

While a portion of these increases were offset by reductions of \$6,300 in other services and \$600 in maintenance, the majority were funded through the unneeded personal services funding. Through the budget change process a program has the ability to transfer appropriation authority between expenditure categories or between programs. A review of the budget change document (BCD) files maintained by the Office of Budget Program and Planning did not show any changes to the authority for this program in FY 2014 even though the program used personal services funding for operating expenses. As the accounting system should not allow the expenditures for operating expenses to exceed the legislative appropriations this issue has been referred to the Legislative Audit Division.

Montana law states that members of county tax appeals boards receive compensation of \$45 a day when the county tax appeal board meets to hear taxpayers' appeals from property tax assessments or when they are attending meetings called by the state tax appeal board. Compensation must be paid from the appropriation to the State Tax Appeal Board. The 1.75 FTE positions have been established to fund the compensation of the county tax appeals boards. Because the 2017 biennium includes periods when the recent property reappraisal is effected, the potential exists that costs will be higher. As previously stated, in FY 2010, which should have been a busy year for the tax appeals, only 11.5% of the funds appropriated were expended.

The legislature may want to reevaluate the funding level or place restrictions on the use of vacancy savings of these positions. If funding for the 1.75 FTE were reduced to the 11.5% utilization experienced in FY 2010, general fund savings would be \$90,000 over the biennium. Other anticipated increases for reappraisal cycle include higher operating expenses and local assistance, which are anticipated by the board at \$41,000. The legislature may wish to reduce the aggregate

FTE by \$49,000 over the 2017 biennium and provide the \$41,000 as a one-time-only appropriation so that it is not included in the base going forward.

#### Legislative Options

If the legislature wishes to reduce the potential for growth in operating expenses it may:

- Make no changes in the level of funding for the county tax appeals board position, but establish a line item appropriation that is restricted only for use in compensating the county board members and higher costs associated with tax reappraisal
- Reduce funding for the position and associated authorization for the FTE by \$49,000 and line item restrict an additional \$41,000 as one-time-only

#### Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Administration, 37-Montana Tax Appeal Board Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,554,108	0	0	1,554,108	100.00 %
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$1,554,108</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,554,108</b>	

The board is fully funded with general fund. In addition, general fund provides support for travel expenses, compensation, and all other incidental expenses of county tax boards, except that counties fund office and equipment expenses of their respective county boards.

#### Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

-----General Fund-----					-----Total Funds-----			
Budget Item	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	594,361	594,361	1,188,722	76.49 %	594,361	594,361	1,188,722	76.49 %
PL Adjustments	193,481	171,905	365,386	23.51 %	193,481	171,905	365,386	23.51 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$787,842</b>	<b>\$766,266</b>	<b>\$1,554,108</b>		<b>\$787,842</b>	<b>\$766,266</b>	<b>\$1,554,108</b>	

#### Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating

expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----						-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	104,065	0	0	104,065	0.00	82,911	0	0	82,911
DP 99 - LEG. Present Law	0.00	89,416	0	0	89,416	0.00	88,994	0	0	88,994
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$193,481</b>	<b>\$0</b>	<b>\$0</b>	<b>\$193,481</b>	<b>0.00</b>	<b>\$171,905</b>	<b>\$0</b>	<b>\$0</b>	<b>\$171,905</b>

#### DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	7.00	\$3,402	\$0	\$0	\$3,402
Executive Implementation of 2015 Pay Increase		9,440	-	-	9,440
Fully Fund 2015 Legislatively Authorized FTE		9,471	-	-	9,471
Other		81,752	-	-	81,752
Personal Services Present Law Adjustments	7.00	\$104,065	\$0	\$0	\$104,065
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	7.00	\$3,402	\$0	\$0	\$3,402
Executive Implementation of 2015 Pay Increase		9,440	-	-	9,440
Fully Fund 2015 Legislatively Authorized FTE		9,471	-	-	9,471
Other		60,598	-	-	60,598
Personal Services Present Law Adjustments	7.00	\$82,911	\$0	\$0	\$82,911

As shown in the figure, the majority of the present law adjustment for personal services is categorized as other. This portion of the personal services request provides for full funding of positions that were vacant all or a portion of FY 2014.

#### DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments.

Legislative Present Law Adjustments				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
2015 Reappraisal Cycle	\$75,000	\$0	\$0	\$75,000
Rent Increase	11,400	-	-	11,400
Other	3,016	-	-	3,016
Legislative Present Law Adjustments	\$89,416	\$0	\$0	\$89,416
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
2015 Reappraisal Cycle	\$55,000	\$0	\$0	\$55,000
Rent Increase	11,400	-	-	11,400
Other	22,594	-	-	22,594
Legislative Present Law Adjustments	\$88,994	\$0	\$0	\$88,994

Funding requested as other includes consulting and professional and SITSD services at FY 2014 actual levels that were higher than anticipated in the 2015 legislative base budget.

**LFD  
ISSUE**
Aggregate Secretary Position Provides Sufficient Authority for Increased Costs

The executive proposes an additional \$130,000 over the 2017 biennium for the 2015 statewide reappraisal cycle of which \$100,000 is for additional personal services. The aggregate secretary position provides for \$160,000 in funding over the biennium. These positions exist in this program to fund the personal services costs for the county tax appeals boards. The funding can also be transferred to operating expenses should the board incur additional costs for appeals due to the reappraisal.

**Legislative Option**

Reduce funding for present law adjustments by \$130,000 over the biennium.